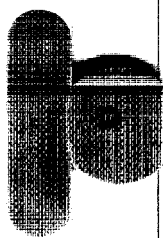


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## **MEMORANDUM ON ALLEGATIONS CONCERNING THE AWARD OF A C-119 CONTRACT**

On January 10 and 11, 1962, Drew Pearson published allegations about an award of a C-119 contract by Mr. McCone as Under Secretary of the Air Force to Mr. Henry Kaiser's Willow Run Plant, and Mr. Pearson infers that there were at that time close financial connections between Mr. Kaiser and Mr. McCone. The facts are that when Mr. McCone was Under Secretary of the Air Force, 1950 and 1951, he had no financial interests in any of Mr. Kaiser's enterprises nor had Mr. Kaiser in any of Mr. McCone's, nor had there been any such business relationship since shortly after the end of World War II. The Bechtel-McCone engineering firm had been dissolved in 1945, and Mr. McCone had no knowledge of whether Mr. Bechtel owned any Kaiser stock.

The C-119 award arose at a time when the Government was increasing its requirements for C-119's and the Fairchild Plant was unable to expand its production sufficiently. This was also a time of broad build-up of the Air Force and of a program for expanding the aircraft industry. Under this program a policy was adopted to establish multiple sources of supply for all important items. Accordingly, when the desired production rate of about 135 C-119's a month, to be reached by 1953, was approved and Fairchild's maximum capacity was estimated at 33 planes a month, the Air Force sought a second source to provide the needed planes and also the desired manufacturing capacity in reserve. Various plants were considered, and the matter was still under consideration when Mr. Kaiser offered his Willow Run Plant for aircraft production. The Willow Run Plant had been sold to Kaiser-Frazer under a contract containing a national security clause which made it available for defense purposes in an emergency and which also provided that the plant would be operated under the management of the purchaser unless he refused to do so or could be proven incapable. The matter was processed through the Air Materiel Command and the Air Staff who made the recommendation to use Willow Run, and this recommendation was approved by Mr. McCone. Mr. McCone had no knowledge of the outcome of this contract as he resigned from the Air Force at a time when production had barely started at Willow Run, but it was his understanding that the planes produced at Willow Run had a high unit cost because of the cost of conversion of the plant to plane production and the fact that but a few units were produced before the program was halted, whereas the cost per unit at Fairchild was based on quantity production. Willow Run was originally scheduled to produce over 1,000 C-119's and the conversion was carried out on this basis, but only some 160 planes were made.

The foregoing information was set forth in testimony before the Preparedness Subcommittee No. 1 of the Committee on Armed Services, United States Senate, June 2, 3, 4, 5, 23 and 24, 1953.